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China Fortune Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 290)

Website: <http://www.290.com.hk>

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of China Fortune Financial Group Limited (the “**Company**”) announces the unaudited results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2020 (the “**Period**”) together with the comparative figures for the corresponding period in 2019. The Group’s interim financial information for the Period have been reviewed by the audit committee of the Company (the “**Audit Committee**”) together with the external auditor of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended 30 September 2020 HK\$’000 (Unaudited)	2019 HK\$’000 (Unaudited) (Restated)
	Notes		
Revenue	4	45,067	74,872
Net investment gains/(losses)	8	18,628	(10,072)
Cost of brokerage and other services		(3,714)	(4,839)
Other income	6	3,320	4,894
Reversal of/(Allowance for) expected credit losses (“ECL”) on trade receivables, net		9,539	(1,278)
Staff costs	8	(28,228)	(36,554)
Other operating expenses	8	(27,208)	(26,192)
Finance costs	7	(13,427)	(30,057)
Share of (losses)/profits of associates		(2,550)	4,074
Share of losses of joint ventures		(9)	(25)
Profit/(Loss) before tax	8	1,418	(25,177)
Income tax expense	9	(4,051)	(1,744)
Loss for the period		(2,633)	(26,921)

		Six months ended	
		30 September	
		2020	2019
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
			(Restated)
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		6,196	(7,211)
Share of other comprehensive income/(expense) of associates		3,793	(4,603)
Share of other comprehensive income/(expense) of joint ventures		42	(57)
		10,031	(11,871)
Total comprehensive income/(expense) for the period		7,398	(38,792)
		HK cents	HK cents
			(Restated)
Loss per share attributable to owners of the Company			
– Basic	<i>11</i>	(0.3)	(2.9)
– Diluted	<i>11</i>	(0.3)	(2.9)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

		At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
	Notes		
Non-current assets			
Property and equipment	12	9,952	22,373
Goodwill		3,994	3,994
Loan receivables	15	3,671	3,448
Other non-current assets		6,978	6,978
Interests in associates	13	96,409	95,166
Interests in joint ventures	14	1,025	992
		<u>122,029</u>	<u>132,951</u>
Current assets			
Financial assets at fair value through profit or loss ("FVTPL")		97,705	222,173
Loan and trade receivables	15	275,652	353,618
Contract assets		65	1,132
Other receivables, deposits and prepayments	16	118,819	27,159
Bank balances and cash – trust	17	198,889	114,565
Bank balances and cash – general	17	173,949	315,132
		<u>865,079</u>	<u>1,033,779</u>
Current liabilities			
Trade payables, other payables and accruals	18	266,116	333,679
Contract liabilities		349	110
Lease liabilities		6,451	14,006
Loan payables	19	196,065	252,600
Convertible bonds	22	20,446	61,937
Corporate bonds	21	85,330	43,064
Tax payable		12,980	8,929
		<u>587,737</u>	<u>714,325</u>
Net current assets		<u>277,342</u>	<u>319,454</u>
Total assets less current liabilities		<u><u>399,371</u></u>	<u><u>452,405</u></u>

		At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current liabilities			
Lease liabilities		–	1,269
Convertible bonds	22	–	19,300
Corporate bonds	21	68,459	108,322
		<u>68,459</u>	<u>128,891</u>
Net assets		<u>330,912</u>	<u>323,514</u>
Capital and reserves			
Share capital	20	91,531	91,531
Reserves		<u>239,381</u>	<u>231,983</u>
Total equity		<u>330,912</u>	<u>323,514</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2020

1. GENERAL INFORMATION AND BASIS OF PREPARATION

China Fortune Financial Group Limited was incorporated in Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The addresses of the registered office and principal place of business of the Company are P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands and 43rd Floor, Cosco Tower, 183 Queen’s Road Central, Hong Kong respectively.

The Company is an investment holding company and its subsidiaries are principally engaged in securities and insurance brokerage and provision of asset management, corporate finance, margin financing and money lending services.

This interim financial information is presented in thousands of units of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated.

The interim financial information of the Group for the Period have been prepared in accordance with the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange and was approved for issue by the Board on 27 November 2020.

The interim financial information of the Group for the Period are unaudited, but have been reviewed by the Audit Committee together with the external auditor of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The interim financial information have been prepared on the historical cost basis, except for the financial instruments classified as at FVTPL and fair value through other comprehensive income (“**FVOCI**”), which are stated at fair values.

Except as described below, the accounting policies and methods of computation used in the interim financial information for the six months ended 30 September 2020 are the same as those used in the preparation of the Group’s most recent annual financial statements for the year ended 31 March 2020.

The Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the HKICPA that are effective for the Group’s financial year beginning on 1 April 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 16	COVID-19-Related Rent Concessions

Except for the amendments to the HKFRS 16 “COVID-19-Related Rent Concessions”, the Group has not apply any new standard, amendments or interpretation that is not yet effective for the current period. Except for the impacts of early adoption of amendments to the HKFRS 16 as discussed below, the application of the above amended HKFRSs has no material impact on the amounts reported and/or disclosures set out in this interim financial information.

The amendment to HKFRS 16 which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. The Group has elected to apply the practical expedient to all qualified COVID-19-related rent concessions granted to the Group during this interim reporting period. Consequently, rent concessions received have been recognised in the profit or loss in the period in which the event or condition that trigger those payments occurred (note 12). There is no impact on the balances of equity at 1 April 2020.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim financial information requires management to make accounting judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Group for the year ended 31 March 2020.

4. REVENUE

Revenue represents the net amounts received and receivable for services provided in the normal course of business.

An analysis of the Group's revenue for the Period is as follows:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Dividend income	189	1,151
Income from securities brokerage business	3,529	16,998
Income from money lending business	18,089	19,813
Income from insurance brokerage business	778	1,700
Income from asset management business	5,364	10,547
Margin interest income from securities brokerage business	1,485	6,323
Service income from corporate finance	15,633	18,340
	45,067	74,872

The Group derives revenue from the services over time and at a point in time in the following table.

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers by timing of recognition		
<i>Overtime:</i>		
Service income from corporate finance	15,633	18,340
Income from asset management business	1,739	1,947
<i>At a point in time:</i>		
Income from securities brokerage business	3,529	16,998
Income from insurance brokerage business	778	1,700
Revenue from contracts with customers within the scope of HKFRS 15	21,679	38,985
Other information:		
Dividend income	189	1,151
Interest income from asset management business	3,625	8,600
Interest income from money lending business	18,089	19,813
Margin interest income from securities brokerage business	1,485	6,323
	45,067	74,872

5. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance is focus on the type of services provided. No operating segment identified by the chief operating decision maker has been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- (1) The securities brokerage and margin financing segment engages in securities brokerage and margin financing in Hong Kong;
- (2) The corporate finance segment engages in the provision of corporate finance services;
- (3) The money lending and factoring segment engages in the provision of money lending and factoring services in Hong Kong;
- (4) The consultancy and insurance brokerage segment engages in the provision of consultancy service and insurance brokerage in Hong Kong; and
- (5) The asset management segment engages in the provision of asset management and advisory services to professional investors and the management of financial investments.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the results from each segment without allocation of central administration expenses, directors' remunerations, and other operating income. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment. Inter-segment revenue are charged at prevailing market prices.

For the purposes of current period's segment presentation, the comparative figures of net investment losses from securities trading previously included in revenue of "Securities brokerage and margin financing" and "Asset management" segments have been reallocated to "Net investment gains or losses".

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended 30 September 2020 (Unaudited)

	Securities brokerage and margin financing <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Money lending and factoring <i>HK\$'000</i>	Consultancy and insurance brokerage <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	5,050	15,633	18,089	778	5,468	49	-	45,067
Inter-segment revenue	(905)	-	-	101	2	17,550	(16,748)	-
Net investment gains	5,130	-	-	-	13,498	-	-	18,628
Total	<u>9,275</u>	<u>15,633</u>	<u>18,089</u>	<u>879</u>	<u>18,968</u>	<u>17,599</u>	<u>(16,748)</u>	<u>63,695</u>
Finance costs	(112)	-	-	-	(24)	(13,314)	23	(13,427)
Others	626	(11,506)	(8,749)	(958)	(12,995)	(29,434)	16,725	(46,291)
Segment results	<u>9,789</u>	<u>4,127</u>	<u>9,340</u>	<u>(79)</u>	<u>5,949</u>	<u>(25,149)</u>	<u>-</u>	<u>3,977</u>
Share of losses of associates								(2,550)
Share of losses of joint ventures								(9)
Profit before tax								1,418
Income tax expense								(4,051)
Loss for the period								<u>(2,633)</u>

For the six months ended 30 September 2019 (Unaudited) (Restated)

	Securities brokerage and margin financing <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Money lending and factoring <i>HK\$'000</i>	Consultancy and insurance brokerage <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	23,505	18,340	19,813	1,700	11,514	-	-	74,872
Inter-segment revenue	(507)	-	-	-	512	-	(5)	-
Net investment losses	(1,928)	-	-	-	(8,144)	-	-	(10,072)
Total	<u>21,070</u>	<u>18,340</u>	<u>19,813</u>	<u>1,700</u>	<u>3,882</u>	<u>-</u>	<u>(5)</u>	<u>64,800</u>
Finance costs	(21)	-	-	-	(1,578)	(28,458)	-	(30,057)
Others	(8,377)	(15,613)	(968)	(1,863)	(8,371)	(28,777)	-	(63,969)
Segment results	<u>12,672</u>	<u>2,727</u>	<u>18,845</u>	<u>(163)</u>	<u>(6,067)</u>	<u>(57,235)</u>	<u>(5)</u>	<u>(29,226)</u>
Share of profits of associates								4,074
Share of losses of joint ventures								(25)
Loss before tax								(25,177)
Income tax expense								(1,744)
Loss for the period								<u>(26,921)</u>

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Segment assets		
Securities brokerage and margin financing	407,195	250,805
Corporate finance	20,730	47,783
Money lending and factoring	239,529	289,948
Consultancy and insurance brokerage	2,207	720
Asset management	118,070	309,841
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Total segment assets	787,731	899,097
Unallocated	199,377	267,633
	<hr/>	<hr/>
Consolidated assets	987,108	1,166,730
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Securities brokerage and margin financing	303,189	115,588
Corporate finance	1,168	12,841
Money lending and factoring	6,372	4,996
Consultancy and insurance brokerage	715	149
Asset management	1,813	884
	<hr/>	<hr/>
Total segment liabilities	313,257	134,458
Unallocated	342,939	708,758
	<hr/>	<hr/>
Consolidated liabilities	656,196	843,216
	<hr/> <hr/>	<hr/> <hr/>

6. OTHER INCOME

	Six months ended 30 September 2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Interest income from financial institutions	439	1,664
Sundry income (<i>note</i>)	2,881	3,230
	<hr/>	<hr/>
	3,320	4,894
	<hr/> <hr/>	<hr/> <hr/>

Note: During the six months ended 30 September 2020, the Group recognised government grants of HK\$2,070,000 in respect of COVID-19-related subsidies in relation to Employment Support Scheme provided by the Hong Kong government.

7. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance charges on lease liabilities	140	389
Interests on bank and loan payables	3,674	6,250
Interests on corporate bonds	6,804	7,064
Interests on convertible bonds (note 22)	2,809	16,354
	<u>13,427</u>	<u>30,057</u>

8. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax after (crediting)/charging:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net investment (gains)/losses:		
Net realised (gains)/losses on financial assets at FVTPL	(15,574)	3,048
Net unrealised (gains)/losses on financial assets at FVTPL	(3,054)	7,024
	<u>(18,628)</u>	<u>10,072</u>
Other operating expenses:		
Auditor's remunerations	250	–
Bank charges	114	900
Computer expenses	569	575
Depreciation on:		
– right-of-use assets	9,375	9,448
– property and equipment	3,717	2,016
Entertainment	450	1,887
Exchange losses, net	3,383	2,562
Information and communication fee	1,387	609
Lease charges on short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	21	14
Legal and professional fee	3,578	1,984
Rates and building management fee	1,084	1,197
Telecommunication fee	442	478
Travelling expenses	276	1,887
Other expenses	2,562	2,635
	<u>27,208</u>	<u>26,192</u>
Staff costs:		
– Directors' remunerations	5,395	7,819
– Salaries and allowance	22,184	27,837
– Retirement benefit scheme contributions (excluding Directors)	649	898
	<u>28,228</u>	<u>36,554</u>

9. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit during the six months ended 30 September 2020 (six months ended 30 September 2019: 16.5%).

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision for Hong Kong Profits Tax		
– Current period	4,051	1,744

Under the Law of the People's Republic of China (the “**PRC**”) or (“**China**”) on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for the PRC EIT has been made for subsidiaries established in the PRC as these subsidiaries did not have any assessable profits subject to PRC EIT Law during the six months ended 30 September 2020 and 2019.

10. DIVIDEND

No dividend was paid or proposed during the Period, nor has any dividend been proposed since the end of the Period (six months ended 30 September 2019: nil).

11. LOSS PER SHARE

Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of approximately HK\$2,633,000 (six months ended 30 September 2019: approximately HK\$26,921,000) by the weighted average number of 915,308,000 ordinary shares (six months ended 30 September 2019: 915,308,000 shares (as restated)) in issue during the Period.

The weighted average number of ordinary shares in issue has taken into account of the effect of share consolidation pursuant to the shareholders resolution passed on 16 October 2020 on the basis that every ten issued existing shares be consolidated into one consolidated share as if the consolidation had occurred at 1 April 2019, the beginning of the earliest period reported. Details of share consolidation are set out in note 26.

The calculation of diluted loss per share for the six months ended 30 September 2020 and 2019 does not assume the exercise of the Company's outstanding convertible bonds which had anti-dilutive effect and would result in a reduction in loss per share. Therefore, the diluted loss per share is the same as the basic loss per share.

12. PROPERTY AND EQUIPMENT

For property and equipment, the Group spent approximately HK\$3,000 (six months ended 30 September 2019: approximately HK\$26,000) for the purchase of property and equipment during the Period.

For right-of-use assets, the Group entered into new lease agreement for its branch office during the Period. The Group is required to make fixed monthly payments. During the Period, the Group recognised additional right-of-use assets and lease liabilities of approximately HK\$668,000 (six months ended 30 September 2019: approximately HK\$685,000) respectively.

During the six months ended 30 September 2020, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to hold down the spread of COVID-19. The amount of fixed lease payments with rental concessions for the interim reporting period is summarised below:

	Six months ended 30 September 2020 COVID-19 -Related Rent		
	Fixed payments	Concessions	Total payment
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Car parking spaces	78	(13)	65

As disclosed in note 2, the Group has early adopted the Amendment to HKFRS 16 “COVID-19-Related Rent Concessions” and has applied the practical expedient introduced by the amendments to all eligible rent concessions received by the Group during the Period.

13. INTERESTS IN ASSOCIATES

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Cost of investments in unlisted associates	64,131	64,131
Share of post-acquisition profits and other comprehensive income	32,278	31,035
	96,409	95,166

Set out below are the particulars of the principal associates as at 30 September 2020 and 31 March 2020. In the opinion of the Directors of the Company, to give details of other associates would result in particulars of excessive length:

Name of entity	Form of entity	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of nominal value of issued capital held by the Group		Proportion of voting right held by the Group at board level		Principal activities
				30 September 2020	31 March 2020	30 September 2020	31 March 2020	
Starlight Financial Holdings Limited (“ Starlight ”)	Limited liability company	Hong Kong	234,000,000 ordinary shares	25%	25%	33% (note 1)	33% (note 1)	Investment holding
City Eagle Holdings Limited	Limited liability company	Hong Kong	100 ordinary shares	25%	25%	33%	33%	Investment holding
Chongqing Liangjiang New Area Runtong Small Loans Business Limited* (“ Runtong ”)	Limited liability company	the PRC	Registered capital of US\$30,000,000	25%	25%	33%	33%	Provision of secured financing services and microfinance services in Chongqing of the PRC
Chongqing Run Kun Management Consulting Company Limited* (“ Run Kun ”)	Limited liability company	the PRC	Registered capital of HK\$10,000,000	25%	25%	33%	33%	Financial consulting services
China Runking Financing Group Limited	Limited liability company	Hong Kong	1 ordinary share	25%	25%	33%	33%	Provision of loan financing services

* *The English translation of the Chinese name in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name of such Chinese name.*

China Runking Financing Group Limited, City Eagle Holdings Limited, Run Kun and Runtong are wholly-owned subsidiaries of Starlight.

Note:

1. The Group is able to exercise significant influence over Starlight and its subsidiaries (“**Starlight Group**”) because it has the power to appoint two out of the six directors of that company under the provisions stated in the shareholders’ agreement.

As at 30 September 2020, included in the cost of investments in associates was goodwill of approximately HK\$4,052,000 (as at 31 March 2020: approximately HK\$4,052,000) arising on the acquisition of associates.

14. INTERESTS IN JOINT VENTURES

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Cost of investments in unlisted joint ventures	1,415	1,415
Share of post-acquisition losses and other comprehensive expense	(390)	(423)
	<u>1,025</u>	<u>992</u>

Details of the joint ventures as at 30 September 2020 and 31 March 2020 are as follows:

Name of entity	Form of entity	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of nominal value of issued capital held by the Group		Proportion of voting right held by the Group at board level		Principal activities
				30 September 2020	31 March 2020	30 September 2020	31 March 2020	
Shenzhen Qianhai Fortune Financial Service Company Limited* ("Qianhai Fortune Financial")	Limited liability company	The PRC	Registered capital of RMB754,000	30%	30%	40%	40%	Inactive
Shenzhen Qianhai Fortune Equity Investment Management Company Limited* ("Qianhai Fortune Equity")	Limited liability company	The PRC	Registered capital of RMB2,989,000	30%	30%	40%	40%	Inactive

* *The English translation of the Chinese name in this announcement, where indicated, is included for the information purpose only, and should not be regarded as the official English name of such Chinese name.*

The Group holds 30% of equity interests of Qianhai Fortune Financial and controls 40% of the voting power in the board meeting. Under a shareholders' agreement, the major financing and operational decisions of Qianhai Fortune Financial should be unanimously approved by the Group and other venturers. Therefore, Qianhai Fortune Financial is regarded as a joint venture of the Group.

The Group holds 30% of equity interests of Qianhai Fortune Equity and controls 40% of the voting power in the board meeting. Under a shareholders' agreement, the major financing and operational decisions of Qianhai Fortune Equity should be unanimously approved by the Group and other venturers. Therefore, Qianhai Fortune Equity is regarded as a joint venture of the Group.

15. LOAN AND TRADE RECEIVABLES

Loan and trade receivables comprise i) trade receivables arising from securities brokerage business and other businesses and ii) loan receivables arising from money lending business.

		At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Trade receivables	<i>a)</i>	64,351	72,469
Loan receivables – current	<i>b)</i>	211,301	281,149
		<hr/>	<hr/>
		275,652	353,618
Loan receivables – non-current	<i>b)</i>	3,671	3,448
		<hr/>	<hr/>
		279,323	357,066
		<hr/> <hr/>	<hr/> <hr/>

a) Trade receivables

The followings are the balances of trade receivables, net of ECL:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Trade receivables from securities brokerage business:		
– Cash clients	399	44
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	5,158	–
– Margin clients	54,810	76,446
Trade receivables from other businesses	4,040	5,574
	<hr/>	<hr/>
	64,407	82,064
Less: ECL	(56)	(9,595)
	<hr/>	<hr/>
	64,351	72,469
	<hr/> <hr/>	<hr/> <hr/>

The settlement terms of trade receivables from cash client and HKSCC arising from securities brokerage business are two trading days after the trade date. The Group allows an average credit period of 30 days to its customers of other businesses.

No aging analysis is disclosed for the Group’s margin clients as these margin clients were carried on an open account basis, and only fall due on conditions or on demand by the Group. The Directors of the Company consider that the aging analysis does not give additional value in the view of the nature of these receivables.

The following is an aging analysis of trade receivables (excluded margin clients), net of ECL, at the end of the Period/year based on the invoice date is as follows:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Less than 30 days	7,596	3,266
31 to 60 days	39	120
61 to 90 days	45	134
Over 90 days	1,917	2,098
	<u>9,597</u>	<u>5,618</u>

As at 30 September 2020, trade receivables from cash and margin clients are secured by the clients' pledged securities at quoted market value of approximately HK\$159,504,000 (as at 31 March 2020: HK\$139,656,000) which could be realised at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. There are no replodge of the collateral from margin clients for the six months ended 30 September 2020 and 2019 and as at 30 September 2020 and 31 March 2020.

b) Loan receivables

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Non-current portion		
Secured loan receivables	2,124	2,137
Unsecured loan receivables	1,547	1,311
	<u>3,671</u>	<u>3,448</u>
Current portion		
Secured loan receivables	165,615	185,801
Unsecured loan receivables	45,686	95,348
	<u>211,301</u>	<u>281,149</u>
	<u>214,972</u>	<u>284,597</u>

As at 30 September 2020, the secured loan receivables are secured by all monies, deposits and equity shares of listed companies with fair value of approximately HK\$626,844,000 (as at 31 March 2020: HK\$534,807,000) in the securities broker account and second mortgage over certain property units and bear interest at a fixed interest rate at 12% to 15% (as at 31 March 2020: 12% to 15%) per annum.

As at 30 September 2020, the unsecured loan receivables carry interest at fixed interest rate at 12% to 15% (as at 31 March 2020: 12% to 15%) per annum and guaranteed by an independent third party.

The following table illustrates the aging analysis, net of ECL, based on the loan drawdown date, of the loan receivables outstanding at the end of the Period/year:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Less than 30 days	298	2,440
31 to 60 days	56	1,922
61 to 90 days	56	9,462
Over 90 days	214,562	270,773
	<u>214,972</u>	<u>284,597</u>

The loan receivables are due for settlement at the date specified in the respective loan agreements.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Other receivables	110,150	16,501
Interest receivables	1,907	4,557
Deposits	6,501	5,700
Prepayments	261	401
	<u>118,819</u>	<u>27,159</u>

As at 30 September 2020, other receivables mainly represent an amount of HK\$94,707,000 placed in the securities brokers accounts in connection with the allotment of IPO subscriptions.

17. BANK BALANCES AND CASH

Bank balances and cash – trust

The Group maintains segregated trust accounts with a licensed bank to hold clients' monies arising from its securities brokerage and margin and financing business. The Group has classified the clients' monies as bank balances and cash – trust under the current assets of the condensed consolidated statement of financial position and recognised the corresponding trade payables to respective clients on the ground that it is liable for any loss or misappropriation of clients' monies. The Group is restricted to use the clients' monies to settle its own obligations.

Bank balances and cash – general

As at 30 September 2020, bank balances and cash held by the Group which amounted to approximately HK\$173,949,000 (as at 31 March 2020: HK\$315,132,000) were with an original maturity of three months or less. The bank balances and bank deposits carried interest at market rates ranging from 0% to 2.30% (as at 31 March 2020: 0% to 3.8%) per annum.

As at 30 September 2020, the Group had bank balances of approximately HK\$60,823,000 (as at 31 March 2020: HK\$121,181,000) and HK\$6,464,000 (as at 31 March 2020: HK\$82,456,000) which were originally denominated in United States dollar ("USD"), and Renminbi ("RMB") respectively.

18. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables from the securities brokerage business:		
– Margin and cash clients	186,705	103,549
– HKSCC	–	8,283
	<u>186,705</u>	<u>111,832</u>
Other payables and accruals	79,411	221,847
	<u>266,116</u>	<u>333,679</u>

The settlement terms of trade payable to HKSCC is two trading days after the trade dates.

No aging analysis is disclosed for the Group's trade payables to margin and cash clients as these clients were carried on an open account basis. The Directors consider that the aging analysis does not give additional value in the view of the nature of these payables.

19. LOAN PAYABLES

As at 30 September 2020, the unsecured bank loan amounted to approximately HK\$100,509,000 (as at 31 March 2020: HK\$100,221,000) borne variable interest rate and guaranteed by the corporate guarantee given by a wholly-owned subsidiary of the Company, Fortune Finance Limited. The rate as at 30 September 2020 was 2.95% (as at 31 March 2020: 3.83%) per annum.

As at 30 September 2020, the secured bank loan amounted to approximately HK\$34,900,000 (as at 31 March 2020: nil) are secured by the deposits placed in a securities broker account amounted to HK\$3,887,000 and borne fixed interest rate at 1.90% (as at 31 March 2020: nil) per annum.

As at 30 September 2020, the secured bank loans amounted to approximately HK\$60,656,000 (as at 31 March 2020: HK\$152,379,000) are secured by the debt securities (included in financial assets at FVTPL) of approximately HK\$78,034,000 (as at 31 March 2020: HK\$185,357,000) and the entire share of a wholly-owned subsidiary of the Company, Marvel Champion Investment Limited, borne variable interest rate and guaranteed by the corporate guarantee given by a wholly-owned subsidiary of the Company, Fortune Finance Limited. The rate as at 30 September 2020 was 2.23% per annum (as at 31 March 2020: 3.22%-4.24% per annum).

20. SHARE CAPITAL

	Number of shares '000	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each at 1 April 2019 (audited), 31 March 2020 (audited) and 30 September 2020 (unaudited)	<u>20,000,000</u>	<u>200,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 April 2019 (audited), 31 March 2020 (audited) and 30 September 2020 (unaudited)	<u>9,153,079</u>	<u>91,531</u>

21. CORPORATE BONDS

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Current	85,330	43,064
Non-current	68,459	108,322
	<u>153,789</u>	<u>151,386</u>

Particulars of outstanding corporate bonds at reporting date summarised by original issue years are set out below:

Issue in the year ended	Original terms	Annual coupon rate	Effective interest rate	Principal <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
At 30 September 2020					
31 March 2014	7 – 7.5 years	6% – 7%	8.59% – 9.66%	43,000	45,149
31 March 2015	7 years	6% – 6.5%	8.59% – 9.12%	57,500	57,884
31 March 2016	5 – 7 years	6.5% – 7%	9.12% – 9.76%	21,810	22,106
31 March 2017	7 – 7.5 years	6.5%	9.10% – 9.12%	30,100	28,650
					<u>153,789</u>
At 31 March 2020					
31 March 2014	7 – 7.5 years	6% – 7%	8.59% – 9.66%	43,000	43,179
31 March 2015	7 years	6% – 6.5%	8.59% – 9.12%	57,500	57,289
31 March 2016	5 – 7 years	6.5% – 7%	9.12% – 9.76%	21,810	21,765
31 March 2017	7 – 7.5 years	6.5%	9.10% – 9.12%	30,100	29,153
					<u>151,386</u>

These corporate bonds are repayable in the following schedule:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Within one year	85,330	43,064
More than one year but not exceeding two years	37,854	67,261
More than two years but not exceeding five years	30,605	41,061
	<u>153,789</u>	<u>151,386</u>

22. CONVERTIBLE BONDS

The Group employs convertible bonds as one of its sources of financing.

At reporting date, carrying amounts of the convertible bonds and convertible bonds reserves are as follows:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Convertible bonds		
– Current	20,446	61,937
– Non-current	–	19,300
	<u>20,446</u>	<u>81,237</u>
Convertible bonds reserves	<u>5,161</u>	<u>19,159</u>

Particulars of new issued convertible bonds in the prior years are set out as below:

Issue in the year ended	Issue date	Maturity date	Coupon rate	Effective interest rate	Principal <i>HK\$'000</i>	Conversion price per share <i>HK\$</i>	Issuer earlier redemption right
Year ended 31 March 2019 2019 A	5 July 2018	5 July 2021	2%	11.74%	60,000	0.060	No
Year ended 31 March 2018 2018 A	28 June 2017	28 June 2020	2%	11.17%	60,000	0.060	No
Year ended 31 March 2017 2017 C	30 March 2017	30 March 2020	2%	12.47%	390,000	0.060	No

Movements of carrying amounts of the liability components and equity components are summarised below.

	Convertible Bond Series			Total
	2017 C <i>HK\$'000</i>	2018 A <i>HK\$'000</i>	2019 A <i>HK\$'000</i>	<i>HK\$'000</i>
Liability components				
At 1 April 2019 (audited)	195,244	55,586	17,237	268,067
Interests at effective interest rates	24,217	6,351	2,063	32,631
Redemption upon maturity	(12,422)	–	–	(12,422)
Reclassified to other payables upon maturity	(207,039)	–	–	(207,039)
	<u>–</u>	<u>61,937</u>	<u>19,300</u>	<u>81,237</u>
At 31 March 2020 (audited)	–	1,663	1,146	2,809
Interests at effective interest rates	–	(63,600)	–	(63,600)
	<u>–</u>	<u>–</u>	<u>20,446</u>	<u>20,446</u>
At 30 September 2020 (unaudited)	<u>–</u>	<u>–</u>	<u>20,446</u>	<u>20,446</u>

	Convertible Bond Series			Total HK\$'000
	2017 C HK\$'000	2018 A HK\$'000	2019 A HK\$'000	
Equity components				
At 1 April 2019 (audited)	52,823	13,998	5,161	71,982
Lapse of conversion option upon maturity	(52,823)	—	—	(52,823)
At 31 March 2020 (audited)	—	13,998	5,161	19,159
Lapse of conversion option upon maturity	—	(13,998)	—	(13,998)
At 30 September 2020 (unaudited)	—	—	5,161	5,161

23. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

All executive Directors were considered to be the key management personnel of the Group for the six months ended 30 September 2020 and 2019. The remuneration of executive Directors during the Period was as follows:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Short-term benefits	4,138	6,580
Post-employment benefits	27	27
	4,165	6,607

24. COMMITMENTS

(i) Lease commitments

The Group as lessee

At the end of the Period/year, the Group had commitments for short-term leases which fall due as follows:

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Within one year	89	—
In the second to fifth years, inclusive	—	—
	89	—

(ii) **Capital commitment**

The Group had the following capital commitment at the end of the Period/year:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Contracted but not provided for:		
Investment in joint ventures	<u>5,329</u>	<u>5,053</u>

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Financial instruments and non-financial assets measured at fair value in the condensed consolidated statement of financial position are categorised into the three level fair value hierarchies as defined in HKFRS 13 “Fair Value Measurement”.

The following table gives information about how fair values of these financial assets are determined (in particular, the valuation technique(s) and input(s) used).

Financial assets	Fair value as at 30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at FVTPL				
– Equity securities listed in Hong Kong and outside Hong Kong	<u>19,671</u>	<u>36,816</u>	Level 1	Quoted bid prices in active market
– Bonds listed in Hong Kong and outside Hong Kong	<u>78,034</u>	<u>185,357</u>	Level 1	Quoted bid prices in active market
Financial assets at FVOCI				
– Unlisted equity securities (i)	<u>138</u>	<u>138</u>	Level 3	Net asset value

There were no transfers between levels of fair value hierarchy during the Period/year.

- (i) The fair value of the unlisted equity investment is by reference to the net asset value of the respective companies.

The reconciliation of the carrying amounts of the Group's financial instruments classified within Level 3 of the fair value hierarchy is as follows:

	Bonds-linked notes HK\$'000	Unlisted equity securities HK\$'000
At 1 April 2019 (Audited)	25,141	264
Disposal of financial assets	(24,847)	–
Deregistration of financial assets	–	(126)
Fair value loss recognised in profit or loss	(294)	–
	<hr/>	<hr/>
At 31 March 2020 (Audited) and 30 September 2020 (Unaudited)	<hr/> <hr/> –	<hr/> <hr/> 138

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the interim financial information approximate their fair values.

26. EVENTS AFTER THE REPORTING PERIOD

- (a) After the outbreak of Coronavirus Disease 2019 (the “**COVID-19 outbreak**”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the regions in which the Group has business operations. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.
- (b) On 29 January 2019, Fortune Finance Limited (the “**Lender**”), a wholly-owned subsidiary of the Company, Shine Well Holdings Limited (the “**Borrower**”) and Mr. LAI Tse Ming (the “**Guarantor**”), being a sole director and sole shareholder of the Borrower entered into the loan agreement (the “**Loan Agreement**”), pursuant to which the Lender agreed to grant to the Borrower a loan in the principal amount of HK\$155,000,000 bearing an interest rate of 12% per annum for a period of 12 months (subject to extension) (the “**Loan**”) from and including the date of utilization of the Loan (the “**Drawdown Date**”).

On 13 May 2020, the Lender, the Borrower and the Guarantor entered into a supplemental loan agreement (the “**Supplemental Loan Agreement**”), pursuant to which, among other things, the Lender agreed to extend the repayment date of the Loan from 12 months after the Drawdown Date (i.e. 30 January 2020) to 21 months after the Drawdown Date (i.e. 31 October 2020) on the terms and subject to the conditions therein. Subject to the Lender's prior written consent, the repayment date can be further extended for a further 6 months to 30 April 2021.

The entering into of the Supplemental Loan Agreement, when aggregated with the interest income derived from the Loan since its drawdown constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement and shareholders' approval requirements under the Listing Rules. An extraordinary general meeting (“**EGM**”) was convened on 27 August 2020 for the shareholders of the Company (the “**Shareholders**”) to consider and approve the Supplemental Loan Agreement. A circular containing, among others, further details of Supplemental Loan Agreement and a notice of the EGM (“**EGM Notice**”) was despatched to the Shareholders on 29 July 2020.

The ordinary resolution approving the Supplemental Loan Agreement and the transactions contemplated thereunder as set out in the EGM Notice dated 29 July 2020 was duly passed by the Shareholders by way of poll at the EGM held on 27 August 2020.

On 30 October 2020, the Lender agreed to further extend the repayment date to 30 April 2021. Other than the further extension of the repayment date, all other terms of the Loan Agreement (as supplemented and amended by the Supplemental Loan Agreement) remain effective and unchanged.

For details of the Loan Agreement, Supplemental Loan Agreement and further extension of the repayment date on the Loan, please refer to the circular of the Company dated 29 July 2020 and the announcements of the Company dated 29 January 2019, 13 May 2020, 15 May 2020, 27 August 2020 and 30 October 2020 respectively.

- (c) On 8 September 2020, the Board proposed to implement the share consolidation (“**Share Consolidation**”) on the basis that every ten issued and unissued ordinary shares of par value of HK\$0.01 each in the share capital of the Company (“**Existing Shares**”) be consolidated into one consolidated share of par value of HK\$0.10 each (“**Consolidated Share**”). The Share Consolidation was conditional upon, among other things, the approval of the Shareholders by way of poll at the EGM. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder was required to abstain from voting on the resolution in relation to the Share Consolidation at the EGM.

On 8 September 2020, the Existing Shares were traded on the Stock Exchange in board lot size of 2,000 Existing Shares. The Board proposed to change the board lot size for trading on the Stock Exchange from 2,000 Existing Shares to 4,000 Consolidated Shares conditional upon the Share Consolidation becoming effective. A circular containing, among other things, (i) further details of the Share Consolidation and the change in board lot size; and (ii) an EGM Notice, was despatched to the Shareholders on 28 September 2020.

The ordinary resolution approving the Share Consolidation as set out in the EGM Notice dated 28 September 2020 was duly passed by the Shareholders by way of poll at the EGM held on 16 October 2020. Approval was granted by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares. As all the conditions precedent of the Share Consolidation were fulfilled, the Share Consolidation was effective on 20 October 2020.

Upon the Share Consolidation becoming effective, the change in board lot size also became effective. The board lot size of the shares for trading on the Stock Exchange was changed from 2,000 Existing Shares to 4,000 Consolidated Shares with effect from 20 October 2020.

For details of the Share Consolidation and change in board lot size, please refer to the circular of the Company dated 28 September 2020 and announcements of the Company dated 8 September 2020 and 16 October 2020 respectively.

27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with current period’s presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the Period, revenue and net investment gains of the Group amounted to approximately HK\$63,695,000, representing a decrease of approximately 1.71% from approximately HK\$64,800,000 for the six months ended 30 September 2019.

The Group recorded a loss attributable to owners of the Company of approximately HK\$2,633,000 for the Period, as compared with the loss of approximately HK\$26,921,000 for the corresponding period in 2019. Despite the share of losses of associates for the Period as compared to share of profits for the corresponding period in 2019, the decrease in losses for the Period was principally attributable to (i) a decrease in finance costs attributable to convertible bonds issued by the Company as compared with those for the corresponding period in 2019; (ii) a decrease in staff costs as compared with those for the corresponding period in 2019; (iii) a net investment gain from investment in financial assets; and (iv) a reversal of the impairment loss on trade receivables.

The basic and diluted loss per share for the Period was approximately HK0.3 cents as compared with the basic and diluted loss per share of approximately HK2.9 cents (restated) for the corresponding period in 2019.

Business Review

Securities brokerage and margin financing

During the Period, the business of securities brokerage and margin financing recorded a revenue and net investment gains of approximately HK\$9,275,000, representing a decrease of approximately 55.98% as compared to the revenue and net investment losses of approximately HK\$21,070,000 for the corresponding period in 2019. The decrease in revenue was mainly contributed from the decrease of Group's underwriting business.

The segment profit for the Period amounted to approximately HK\$9,789,000 (six months ended 30 September 2019: approximately HK\$12,672,000), representing a decrease in profit of approximately 22.75% as compared with the corresponding period in 2019. The decrease in segment profit was mainly contributed from the decrease in revenue generated from securities brokerage and margin finance business.

The Group's strategy is to focus and strengthen existing securities operation and work in close collaboration with our corporate finance business as well as wealth management business, in order to provide a one-stop integrated financial services to better serve our institutional and high net worth individual clients.

Corporate finance

The corporate finance market was under a keen competition during the Period. Segment revenue from corporate finance business decreased by approximately 14.76% from approximately HK\$18,340,000 to approximately HK\$15,633,000 while the segment profit for the Period amounted to approximately HK\$4,127,000 as compared to a segment profit amounted to approximately HK\$2,727,000 for the corresponding period in 2019. The improvement of segment performance was mainly due to the significant decrease in staff costs.

Money lending and factoring

During the Period, the money lending market was under intensive competition. The Group recorded an interest income from money lending of approximately HK\$18,089,000 (six months ended 30 September 2019: approximately HK\$19,813,000), representing a decrease of approximately 8.70% as compared with the corresponding period in 2019. The segment profit for the Period amounted to approximately HK\$9,340,000 (six months ended 30 September 2019: approximately HK\$18,845,000).

Consultancy and insurance brokerage

During the Period, the Group recorded a segment revenue from consultancy and insurance brokerage services of approximately HK\$879,000 (six months ended 30 September 2019: approximately HK\$1,700,000), representing a decrease of approximately 48.29% as compared with the corresponding period in 2019.

Asset management

During the Period, the Group recorded a segment revenue and net investment gains from asset management of approximately HK\$18,968,000 (six months ended 30 September 2019: approximately HK\$3,882,000). The increase in segment revenue was mainly attributable to the expansion of financial assets investment during the Period.

Outlook

Looking ahead, the progress of COVID-19 and its vaccine, the final results of the US presidential and government elections, as well as the ensuing uncertainties in Sino-US relations and Hong Kong's development environment, have determined that the second half of this year will remain extremely unstable and challenging. The Group will strive to continue the momentum of significant year-on-year loss reduction in the first half of the year, continue to adhere to the compliance bottom line, root itself in the capital markets of medium-sized enterprises in the mainland and Hong Kong, keenly perceive the market, strengthen risk control ability, strictly control costs, improve the income structure, create a more stable and diversified business model, improve the Company's governance and profitability, increase returns for the Shareholders and improve living standards for employees.

Capital Structure

As at 30 September 2020, the nominal value of the total issued share capital of the Company was approximately HK\$91,531,000 comprising 9,153,078,859 shares of the Company of HK\$0.01 each (the "Shares").

The Group actively and regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions. For the licensed subsidiaries of the Group, the Group ensures each of them maintains a liquid capital level that is adequate to support the level of activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the Period, all the licensed subsidiaries of the Group complied with the liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules.

Capital Risk Management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the Shareholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of debt, which includes convertible bonds, corporate bonds, lease liabilities, loans, cash and cash equivalents and equity attributable to owners of the Company, which comprises issued share capital and reserves.

The Directors review the capital structure regularly. As part of the review, the Directors consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. The overall strategy of the Group remains unchanged during the Period and the year ended 31 March 2020.

For certain subsidiaries of the Group, they are regulated by the Securities and Futures Commission ("SFC") of Hong Kong and are required to comply with certain minimum capital requirements according to the rules of SFC. Our management monitors, on a daily basis, the subsidiaries' liquid capital level to ensure they meet the minimum liquid capital requirements in accordance with the Hong Kong Securities and Futures (Financial Resources) Rules. The range of liquid capital is from HK\$100,000 to HK\$3,000,000 or 5% of their total adjusted liabilities, whichever is higher.

One of the subsidiaries of the Group is a licensed insurance intermediary under the Insurance Ordinance and is required to maintain a minimum net asset value of HK\$100,000 at all times.

There is no non-compliance of the capital requirements of the Group's members imposed by the respective regulators during the Period and the year ended 31 March 2020.

Liquidity and Financial Resources and Gearing Ratio

During the Period, the Group mainly financed its operations by cash generated from operating activities and loans.

As at 30 September 2020, the Group's current assets and current liabilities were approximately HK\$865,079,000 (as at 31 March 2020: approximately HK\$1,033,779,000) and approximately HK\$587,737,000 (as at 31 March 2020: approximately HK\$714,325,000) respectively, while the current ratio was about 1.47 times (as at 31 March 2020: about 1.45 times).

As at 30 September 2020, the Group's aggregate cash and cash equivalents amounted to approximately HK\$173,949,000 (as at 31 March 2020: approximately HK\$315,132,000), of which approximately 61.32% was denominated in Hong Kong dollars (as at 31 March 2020: approximately 35.38%), approximately 34.97% was denominated in USD (as at 31 March 2020: approximately 38.45%), and approximately 3.71% was denominated in RMB (as at 31 March 2020: approximately 26.17%), representing approximately 20.11% (as at 31 March 2020: approximately 30.48%) of total current assets. As at 30 September 2020, the Group had bank loans with accrued interest in approximately HK\$196,065,000 (as at 31 March 2020: approximately HK\$252,600,000).

During the Period, no financial instruments were used for hedging purposes. As at 30 September 2020, the gearing ratio, measured on the basis of total borrowings as a percentage of equity attributable to owners of the Company, was approximately 113.85% (as at 31 March 2020: approximately 154.71%). The decrease was mainly due to repayment of bank loan and convertible bonds. As at 30 September 2020, the debt ratio, defined as total debts over total assets, was approximately 66.48% (as at 31 March 2020: approximately 72.27%).

No corporate bond was issued during the Period and the year ended 31 March 2020.

Issue of Convertible Bonds

On 22 November 2016, the Company (as the issuer) entered into each of the Cinda Subscription Agreement, the PAL Subscription Agreement and the Riverhead Capital Subscription Agreement (each as defined below) in relation to the issue of convertible bonds in an aggregate principal amount of HK\$570,000,000.

- (i) The Company entered into a subscription agreement (the “**Cinda Subscription Agreement**”) with Mankind Investment Limited (“**Mankind**”), pursuant to which, Mankind agreed to subscribe to convertible bonds in the principal amount of HK\$110,754,000 (the “**Convertible Bonds to Mankind**”).
- (ii) On 21 September 2016, the Company entered into a subscription agreement with Pacific Alliance Limited (“**PAL**”), and subsequently a supplemental agreement on 22 November 2016 (the “**PAL Subscription Agreement**”), pursuant to which, PAL agreed to subscribe to convertible bonds in the principal amount of HK\$153,585,000 (the “**Convertible Bonds to PAL**”). On 8 January 2018, PAL sold the Convertible Bonds to PAL to Value Convergence Holdings Limited.
- (iii) The Company entered into a subscription agreement (the “**Riverhead Capital Subscription Agreement**”) with Riverhead Capital (International) Management Co., Ltd. (“**Riverhead Capital**”), pursuant to which, Riverhead Capital agreed to subscribe to convertible bonds in the aggregate principal amount of HK\$305,661,000 (the “**Convertible Bonds to Riverhead Capital**”) in 4 tranches.

Completion of subscriptions (i), (ii) and tranche 1 of subscription (iii) above (altogether, the “**Tranche 1 Convertible Bonds**”) took place on 30 March 2017. The convertible bonds to Mankind, PAL and Riverhead Capital all bear an interest rate of 2% and mature on the third (3rd) anniversary of the date of issue of the convertible bonds with both dates inclusive at the conversion price of HK\$0.06 per conversion share. Upon full conversion of the Tranche 1 Convertible Bonds by all subscribers at the conversion price of HK\$0.06, a total number of 6,500,000,000 conversion shares would be issued, subject to adjustments to the conversion price of HK\$0.06.

The net proceeds raised through the issue of the Tranche 1 Convertible Bonds were approximately HK\$385,000,000, in which i) approximately HK\$180,000,000 was used for the injection of capital to a wholly-owned subsidiary of the Company and expanding its margin financing and underwriting business; ii) approximately HK\$150,000,000 for expanding its money lending business; iii) approximately HK\$12,000,000 for engaging in private equity investments; iv) approximately HK\$9,000,000 for strengthening the capital base of its subsidiaries and v) the remaining balance of approximately HK\$34,000,000 for the general working capital of the Group.

The Convertible Bonds to Mankind was exercised in approximately 51.74% of original principal amount, which was equivalent to the amount of HK\$57,300,000 at the conversion price of HK\$0.06 on 27 April 2017. After completion of conversion, 955,000,000 Shares were issued on 28 April 2017. Furthermore, tranche 1 of the Convertible Bonds to Riverhead Capital was also exercised in full in the principal amount of HK\$125,661,000 at the conversion price of HK\$0.06 on 27 April 2017. After the completion of conversion, 2,094,350,000 Shares were issued on 28 April 2017.

Following the exercise of tranche 1 of the Convertible Bonds to Riverhead Capital, completion of subscription of tranche 2 took place on 28 June 2017. The net proceeds raised through the issue of tranche 2 of the Convertible Bonds to Riverhead Capital were HK\$60,000,000, in which approximately HK\$50,000,000 was used for further expanding its margin financing business and approximately HK\$10,000,000 for its underwriting business.

Following the completion of tranche 2 of the Convertible Bonds to Riverhead Capital, completion of subscription of tranche 3 took place on 5 July 2018. The net proceeds raised through the issue of tranche 3 of the Convertible Bonds to Riverhead Capital were HK\$60,000,000, in which approximately HK\$36,000,000 was used for further strengthening the proprietary trading business, approximately HK\$12,000,000 was used for engagement in private equity investments such as pre-IPO investment, and approximately HK\$12,000,000 was used for the asset management business as seed money to the existing funds and/or new funds.

The tranche 3 of the Convertible Bonds to Riverhead Capital was exercised in 65% of original principal amount, which was equivalent to the amount of HK\$39,000,000 at the conversion price of HK\$0.06 on 11 January 2019. After the completion of conversion, the number of 650,000,000 Shares were issued on 14 January 2019.

The tranche 4 of the Convertible Bonds to Riverhead Capital were not issued due to the non-satisfaction of the conditions precedent set out in the Riverhead Capital Subscription Agreement.

The Convertible Bonds to Mankind matured on 30 March 2020. Pursuant to the terms and conditions of the Convertible Bonds to Mankind, the outstanding principal amount of HK\$53,454,000 together with all accrued and unpaid interests was subsequently repaid on 3 April 2020.

The Convertible Bonds to PAL matured on 30 March 2020. Pursuant to the terms and conditions of the Convertible Bonds to PAL, the outstanding principal amount of HK\$153,585,000 together with all accrued and unpaid interests shall be paid by the Company to the current bondholders of the Convertible Bonds to PAL. As disclosed in the voluntary announcement of the Company dated 10 July 2020, the Company fully settled and repaid the balance of the outstanding principal and interest in relation to the Convertible Bonds to PAL.

The tranche 2 of the Convertible Bonds to Riverhead Capital was due on 28 June 2020. As disclosed in the announcement of the Company dated 8 July 2020 (the “**Amendment Deed Announcement**”), the Company and Riverhead Capital entered into an amendment deed (the “**Amendment Deed**”) on 8 July 2020 (after trading hours), pursuant to which, Riverhead Capital conditionally agreed to extend the maturity date of the tranche 2 of the Convertible Bonds to Riverhead Capital from the date falling on the third anniversary of the issue date of the tranche 2 of the Convertible Bonds to Riverhead Capital (i.e. 28 June 2020) to the fifth anniversary of the issue date of the tranche 2 of the Convertible Bonds to Riverhead Capital (i.e. 28 June 2022) (the “**CB Extension**”). Subject to fulfilment of the conditions precedent as disclosed in Amendment Deed Announcement, the Company shall execute a supplemental deed poll (the “**Supplemental Deed Poll**”) to effect the CB Extension. A circular containing, among others, further details of CB Extension and an EGM Notice was despatched to the Shareholders on 29 July 2020.

At the EGM held on 27 August 2020, the ordinary resolution approving the CB Extension contemplated under the Amendment Deed and the proposed grant of the specific mandate as set out in the EGM Notice dated 29 July 2020 was not passed by the independent Shareholders by way of poll at the EGM. Pursuant to the terms and conditions of the Convertible Bonds to Riverhead Capital, the outstanding principal amount of HK\$60,000,000 together with all accrued and unpaid interests of the tranche 2 of the Convertible Bonds to Riverhead Capital were repaid on 4 September 2020.

For details of the Cinda Subscription Agreement, PAL Subscription Agreement and Riverhead Capital Subscription Agreement and the relevant transactions, please refer to the circular of the Company dated 13 December 2016 and 29 July 2020, and announcements of the Company dated 21 September 2016, 22 November 2016, 5 January 2017, 30 March 2017, 28 April 2017, 5 July 2018, 14 January 2019, 30 March 2020, 14 April 2020, 8 July 2020, 10 July 2020 and 27 August 2020.

With reference made to the mentioned circular and announcements, Tranche 1 Convertible Bonds, tranche 2 of the Convertible Bonds to Riverhead Capital and tranche 3 of the Convertible Bonds to Riverhead Capital were issued pursuant to the resolutions passed at the EGM held on 5 January 2017. The total funds raised from and the details of the use of proceeds of the said tranches are as follows:

Tranche 1 Convertible Bonds

	Intended use of the proceeds as previously disclosed	Approximate amount to apply on the proceeds as previously disclosed	Utilized proceeds on the intended use during the six months ended 30 September 2020	Unutilized proceeds as at 30 September 2020	Expected timeline for the use of unutilized proceeds and reasons for delay
a.	Expanding the margin financing and underwriting businesses	HK\$60,000,000	HK\$60,000,000	HK\$0	Not applicable
b.	Establishment of a joint venture company to be formed in the PRC (the “JV Company”) under the Closer Economic Partnership Arrangement	HK\$120,000,000	HK\$0	HK\$120,000,000	The proceeds is planned to be applied in accordance with the intended use as disclosed in the circular dated 13 December 2016. Documents to supplement the application made to China Securities Regulatory Commission for establishment of the JV Company was last made on 27 July 2018 while the timeframe is subject to the said regulator’s approval
c.	Expanding its money lending business	HK\$150,000,000	HK\$150,000,000	HK\$0	Not applicable
d.	Engaging in private equity investments	HK\$12,000,000	HK\$12,000,000	HK\$0	Not applicable
e.	Proprietary trading	HK\$5,000,000	HK\$5,000,000	HK\$0	Not applicable
f.	Strengthening the capital base of wealth management business	HK\$2,000,000	HK\$2,000,000	HK\$0	Not applicable
g.	Strengthening the capital base of corporate financing business	HK\$2,000,000	HK\$2,000,000	HK\$0	Not applicable
h.	General working capital	HK\$34,000,000	HK\$34,000,000	HK\$0	Not applicable

Tranche 2 of the Convertible Bonds to Riverhead Capital

Intended use of the proceeds as previously disclosed	Approximate amount to apply on the proceeds as previously disclosed	Utilized proceeds on the intended use during the six months ended 30 September 2020	Unutilized proceeds as at 30 September 2020	Expected timeline for the use of unutilized proceeds
a. Further expanding the margin financing business	HK\$50,000,000	HK\$50,000,000	HK\$0	Not applicable
b. Further strengthening the underwriting business	HK\$10,000,000	HK\$10,000,000	HK\$0	Not applicable

Tranche 3 of the Convertible Bonds to Riverhead Capital

Intended use of the proceeds as previously disclosed	Approximate amount to apply on the proceeds as previously disclosed	Utilized proceeds on the intended use during the six months ended 30 September 2020	Unutilized proceeds as at 30 September 2020	Expected timeline for the use of unutilized proceeds
a. Further strengthening the proprietary trading business	HK\$36,000,000	HK\$36,000,000	HK\$0	Not applicable
b. Further engagement in private equity investments	HK\$12,000,000	HK\$12,000,000	HK\$0	Not applicable
c. For the asset management business to be used as seed money to the existing funds and/or new funds	HK\$12,000,000	HK\$12,000,000	HK\$0	Not applicable

Adjustment to the Convertible Bonds

As at 16 October 2020 (the date for convening the EGM for the Shareholders' approval for the Share Consolidation), the outstanding convertible bonds of the Company were the tranche 3 of the Convertible Bonds to Riverhead Capital (the “**Outstanding Convertible Bonds**”), with an aggregate principal amount of HK\$21,000,000, which were convertible into 350,000,000 Existing Shares at the conversion price of HK\$0.06 per Existing Share. As a result of the Share Consolidation and in accordance with the terms and conditions of the convertible bonds of the Company, effective from the close of business on Monday, 19 October 2020, the following adjustment (the “**CB Adjustment**”) were made to the conversion price of the Outstanding Convertible Bonds and the number of Consolidated Shares falling to be issued upon the exercise of the conversion rights attaching to the Outstanding Convertible Bonds:

Immediately before the CB Adjustment becoming effective		Immediately after the CB Adjustment becoming effective	
Number of Existing Shares to be issued upon full conversion of the Outstanding Convertible Bonds	Conversion price per Existing Share	Number of Consolidated Shares to be issued upon full conversion of the Outstanding Convertible Bonds	Conversion price per Consolidated Share
350,000,000	HK\$0.06	35,000,000	HK\$0.60

Grant Thornton Hong Kong Limited, Certified Public Accountants, reviewed the above adjustments and confirmed that the calculation of the CB Adjustment was made in accordance with terms and conditions of the convertible bonds of the Company.

Save for the CB Adjustment, all the other terms and conditions of the convertible bonds of the Company remain unchanged.

Significant Investment

As at 30 September 2020, the Group held financial assets at fair value through profit or loss of approximately HK\$97,705,000 (as at 31 March 2020: approximately HK\$222,173,000), with unrealised gains at approximately HK\$3,054,000 (six months ended 30 September 2019: unrealised losses approximately HK\$7,024,000). The financial assets were traded by the Group and realised a net gain of approximately HK\$15,574,000 (six months ended 30 September 2019: a net loss of approximately HK\$3,048,000) during the Period.

Investment Products

The Company had and would continue to seek opportunities to make proper use of idle funds within the Group and, where appropriate, facilities from bank(s) or other financial institution, to invest on medium or low risk investment products, including but not limited to stocks, bonds, derivatives and structural products.

Bonds issued by Lv'an Chuangxing Limited

References are made to the announcement and further announcement dated 11 April 2019 and 12 April 2019 respectively with regards to a subscription of bonds. On 11 April 2019, Marvel Champion Investment Limited, a direct wholly-owned subsidiary of the Company, placed an order, through a broker, to subscribe bonds issued by Lv'an Chuangxing Limited, an offshore financing vehicle and a wholly-owned subsidiary of Greenland Holdings Corporation Limited (stock code: 600606.SH, a state-controlled enterprise group headquartered in Shanghai, with its main business in real estate, energy and finance), at the investment costs of approximately HK\$86,477,600 in total (including transaction cost). The principal amount of such subscription was US\$11,000,000 (approximately HK\$86,477,600) in compare with the aggregate principal amount of US\$200,000,000 of the same bonds. The interest rate of the bonds was 6.38% per annum. The bonds was matured on 15 April 2020. During the Period, an amount of US\$27,000 (approximately HK\$209,000) was recognised as interest income from the investment.

Senior Notes issued by E-house (China) Enterprise Holdings Limited

References are made to the announcement and further announcement dated 9 May 2019 and 10 May 2019 respectively with regards to a subscription of new senior notes. On 9 May 2019, Marvel Champion Investment Limited, a direct wholly-owned subsidiary of the Company, subscribed senior notes issued by E-house (China) Enterprise Holdings Limited (stock code: 2048.HK) which offers, with its subsidiaries, a wide range of services to the real estate industry, including real estate agency services in the primary market, real estate data and consulting services, and real estate brokerage network services in the PRC, at the investment costs of approximately HK\$65,891,000 in total (including transaction cost). The principal amount of such subscription was initially US\$8,447,000 (approximately HK\$65,891,000) in compare with the aggregate principal amount of US\$300,000,000 of the same senior notes. Interest in the investment worth approximately US\$5,063,000 (approximately HK\$39,488,000) was disposed in the year ended 31 March 2020 with a realised gain of US\$130,000 (approximately HK\$1,018,000). And the remaining interest in the investment worth approximately US\$3,473,000 (approximately HK\$27,086,000) was disposed in the Period with a realised gain of US\$16,000 (approximately HK\$123,000). An interest income of US\$78,000 (approximately HK\$619,000) was recognised from the investment during the Period.

Notes issued by Ease Trade Global Limited

Reference is made to the announcement dated 18 March 2020 with regards to an acquisition of notes. On 18 March 2020, Marvel Champion Investment Limited, a direct wholly-owned subsidiary of the Company, acquired notes issued by Ease Trade Global Limited in the principal amount of US\$10,000,000 (equivalent to approximately HK\$78,000,000) at a total consideration of approximately US\$9,820,000 (equivalent to approximately HK\$76,596,000). Ease Trade Global Limited has carried on no business other than entering into arrangements for the issue of the notes and lending of the net proceeds thereof. Ease Trade Global Limited is a direct, wholly-owned subsidiary of Poly Property Group Co., Limited (stock code: 0119.HK, guarantor of the notes), which in turn is a subsidiary of China Poly Group Corporation Limited (Keepwell Provider of the notes, a central state-owned enterprise under the supervision of State-owned Assets Supervision and Administration Commission of the State Council). The fair value of the investment as at 30 September 2020 was US\$10,108,000 (approximately HK\$78,034,000, representing about 7.91% of the Group's total assets as at 30 September 2020). The interest rate of the bonds is 5.20% per annum and as a future prospect, it is expected that the bonds will continue to generate a stable income to the Company based on this interest rate until maturity on 10 April 2021. During the Period, an amount of US\$260,000 (approximately HK\$2,028,000) was recognised as interest income from the investment.

Material Acquisition and Disposal

There was no material acquisition or disposal of the Group during the Period.

Contingent Liabilities

As at 30 September 2020, the Group had no material contingent liabilities (as at 31 March 2020: nil).

Charge on the Group's Asset

As at 30 September 2020, the debt securities of approximately HK\$78,034,000, the entire share of a wholly-owned subsidiary of the Company, Marvel Champion Investment Limited, and the deposits placed in a securities broker account of approximately HK\$3,887,000 have been charged as the secured assets for the banking facilities (as at 31 March 2020: the debt securities of approximately HK\$185,357,000 and the entire share of a wholly-owned subsidiary of the Company, Marvel Champion Investment Limited).

Risk Management

The Group has properly put in place credit management policies which cover the examination of the approval of client's trading and credit limits, regular review of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are reviewed and updated regularly.

Foreign Currency Fluctuation

During the Period, the Group mainly used Hong Kong dollars to carry out its business transactions. The Board considers that the Group's foreign currency exposure is insignificant.

Human Resources

As at 30 September 2020, the Group had 85 employees in total (as at 31 March 2020: 86 employees). The related employees' costs for the Period (excluding Directors' remunerations) amounted to approximately HK\$22,833,000 (six months ended 30 September 2019: approximately HK\$28,735,000). The Group remunerated employees based on the industry practice and individual's performance. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefits. In addition, the Group maintains the share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

Events after the Reporting Period

Details of significant events occurring after the Period are set out in note 26 to the interim financial information.

CORPORATE GOVERNANCE

The Company's commitment to the highest standards of corporate governance is driven by the Board which, led by the chairman of the Company, assume overall responsibility for the governance of the Company, taking into account the interests of the Shareholders, the development of its business and the changing external environment.

The Company believes that good corporate governance is fundamental in ensuring that the Company is well managed in the interests of all of its Shareholders.

The Company has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules.

CORPORATE GOVERNANCE CODE COMPLIANCE

Throughout the Period, the Company has complied with all code provisions and, where appropriate, met the recommended best practices of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period.

REVIEW OF INTERIM FINANCIAL INFORMATION

The interim financial information of the Group for the Period has been reviewed by Grant Thornton Hong Kong Limited, the Company's external auditor.

The Audit Committee comprises four independent non-executive Directors, namely, Mr. CHIU Kung Chik (chairman of the Audit Committee), Mr. CHAN Kin Sang, Mr. LI Gaofeng and Mr. LIU Xin.

The Audit Committee has reviewed, together with the management, the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the unaudited interim financial information of the Group for the Period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.290.com.hk. The interim report for the Period will be despatched to the Shareholders and published on the above websites in due course.

By order of the Board
China Fortune Financial Group Limited
ZHU Yi
*Chief Executive Officer
and Executive Director*

Hong Kong, 27 November 2020

As at the date of this announcement, the Board consists of three executive Directors, namely Mr. XIE Zhichun (Chairman), Mr. ZHU Yi and Ms. SUN Qing; three non-executive Directors, namely Mr. HAN Hanting, Mr. CHEN Zhiwei and Mr. WU Ling; and four independent non-executive Directors, namely Mr. CHAN Kin Sang, Mr. CHIU Kung Chik, Mr. LI Gaofeng and Mr. LIU Xin.